2013

Niagara Region

Annual Financial Report

FINANCIAL STATEMENTS OF THE REGIONAL MUNICIPALITY OF NIAGARA
YEAR ENDED DECEMBER 31, 2013

Niagara Region

VISION

Niagara Region is a unified community of communities with diverse opportunities and qualities. Together we strive for a better tomorrow.

MISSION

Niagara Region will serve its residents, businesses and visitors through leadership, partnership and the provision of effective and community-focused services.

VALUES

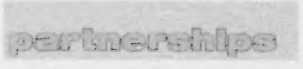
Our corporate values guide our decision-making and actions every day.

We treat everyone equitably with compassion, sensitivity and respect.

We serve Niagara with pride, care and excellence.

We value honesty, integrity and trust.

We believe in social, environmental and economic choices that support our diverse community.



We foster collaboration and value partnerships.

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Government Finance Officers Association

Canadian Award for Financial Reporting

Presented to

The Regional Municipality of Niagara, Ontario

For its Annual
Financial Report
for the Year Ended

December 31, 2012

Executive Director/CEO

For the ninth consecutive year, the Government Finance Officers Association of the United States and Canada presented the Niagara Region with the Canadian Award for Financial Reporting for its 2012 Annual Financial Report in recognition of the Region's ability to present financial information in a clear, concise and informative manner. This award program encourages innovative financial reporting and maintains a high quality standard that is recognized amongst peers.

2013
Niagara Region
Annual Financial Report
Introduction

THE FISCAL YEAR ENDING DECEMBER 31, 2013

THE REGIONAL MUNICIPALITY OF NIAGARA, ONTARIO, CANADA

PREPARED BY THE OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER
AND THE CORPORATE SERVICES DEPARTMENT

ABOUT NIAGARA REGION

Niagara is a culturally rich and historically significant region offering its 445,351 residents a mix of urban and rural living. The region boasts a diverse economy that includes manufacturing, tourism, agriculture and agribusiness, transportation and logistics, and emerging sectors such as new media, green technology and bioscience. Located between two Great Lakes, Erie and Ontario, Niagara's many natural features and proximity to Toronto and to the United States, with which it shares a border, continue to shape the region's evolution as a centre of commerce and an international tourism destination.

Niagara Region is one of six regional governments in Ontario. On January 1, 1970, under the Regional Municipality of Niagara Act, 26 municipalities were merged into 12 area municipalities and the counties of Lincoln and Welland were transformed into the regional municipality of Niagara.

Regional government responsibilities, as delegated by the Province of Ontario, include:

- Policing
- Water and wastewater
- Waste management
- Regional arterial roads
- Public health
- Social assistance
- Long-term care
- Children's services
- Affordable housing
- Paramedic and emergency services
- Economic development
- Planning and development services
- Conservation and management of natural resources
- Court services (POA)

Regional government operations are overseen by Niagara Regional Council which is composed of 30 elected representatives from 12 area municipalities, plus the Regional Chair. The current Regional Council was elected in October 2010 and the 31 members will serve for a four-year term to November 30, 2014.

CORPORATE ORGANIZATION CHART

Niagara Citizens:

445,351 residents

Regional Council:

Regional Chair, Gary Burroughs and 30 Councillors

Six Operating Departments:

- Administration, including Economic Development
- Community Services
- Corporate Services
- Planning and Development
- Public Health
- Public Works

Niagara Region

2012 – 2015

COUNCIL BUSINESS PLAN

Providing responsive, effective services to residents is a primary goal of Niagara Region. We are committed to carrying out a business plan focused on building and sustaining a strong, healthy and vibrant region. The 2012 – 2015 Council Business Plan outlines the key objectives Council has set for its term in office. It was developed with input from Council members, residents, community partners, business leaders and area municipalities.

THEMES FOR 2012 – 2015

Responsive Region
Be recognized as an organization that supports effective decision-making, strong partnerships, clear accountability and service excellence

Healthy Community
Support a safe, healthy, diverse, culturally rich community where people of all ages and incomes enjoy a high quality of life

Open for Business
Become a prime destination for investment and encourage the growth of a diversified and sustainable economic base

Environmentally Responsible
Increase the health and sustainability of its physical infrastructure and natural environment for current and future generations

Integrated Transportation System
Work collaboratively with others to strengthen and coordinate the transportation system and services, and support alternative choices for people and goods to move within and beyond the region

Governance Review
Undertake a governance review to enhance its organizational and decision-making capacity to more effectively and efficiently represent the residents of Niagara

Public Engagement and Communications
Have a consistent and compelling message to be a great place in which to live, study, work, visit and invest

To view the full plan, which includes key action items, visit **www.niagararegion.ca.**

2010 – 2014

REGIONAL COUNCIL

Front row, left to right:

Bill Hodgson, Lincoln - Mayor

Barry Sharpe, Welland - Mayor

Brian McMullan, St. Catharines - Mayor

Vance Badawey, Port Colborne - Mayor

Gary Burroughs, Niagara-on-the-Lake - Regional Chair

April Jeffs, Wainfleet - Mayor

Douglas Martin, Fort Erie - Mayor

Bob Bentley, Grimsby - Mayor

Douglas Joyner, West Lincoln - Mayor

Centre row, left to right:

George Marshall, Welland

Ted Luciani, Thorold - Mayor

Dave Augustyn, Pelham - Mayor

Dave Lepp, Niagara-on-the-Lake

David Barrick, Port Colborne

Debbie Zimmerman, Grimsby

Jim Diodati, Niagara Falls - Mayor

Selina Volpatti, Niagara Falls

Brian Baty, Pelham

Ronna Katzman, St. Catharines

Tim Rigby, St. Catharines

Brian Heit, St. Catharines

Back Row, left to right:

Henry D'Angela, Thorold

Bruce Timms, St. Catharines

Mark Bylsma, Lincoln

Dave Eke, Niagara-on-the-Lake Lord Mayor

Alan Caslin, St. Catharines

Bart Maves, Niagara Falls

Andrew Petrowski, St. Catharines

John Teal, Fort Erie

Barbara Greenwood, Niagara Falls

Peter Kormos was elected to Regional Council representing Welland in March 2012. Councillor Kormos passed away March 30, 2013.

2013 marked the start of significant change at Niagara Region. At the heart of this change is a new focus on making local area municipalities prosperous and healthy in order to build a strong Niagara. To achieve this goal and to build trust and confidence in the Region, we began by strengthening our talented leadership team, which is leading a new approach to the way we work with our municipal, business and community partners. The culture change centres on a One Team approach, working together with a relentless focus on customer service, and achieving real, meaningful results.

To support the One Team approach, we also initiated some important organizational changes:

- We merged our planning and development services functions into one department, offering one-window access for our customers
- Finance positions across the organization have been consolidated into a single Financial Management and Planning division, bringing renewed focus and support to better meet the needs of our operating departments and enhance our corporate-wide financial planning capabilities
- Strategy, performance management and other business support positions have been consolidated into a new Organizational Performance division. This division will work with staff across the corporation to ensure our activities are aligned with corporate priorities and that we are developing meaningful performance measures across all departments. It will also lead the development of performance improvement initiatives and assist departments with research and data collection projects.

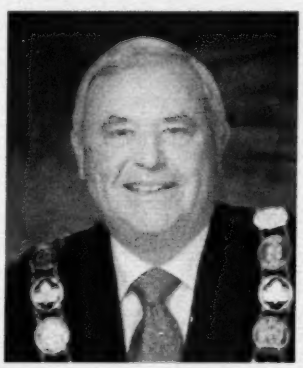
We are pleased with the early results of this new approach. There is unprecedented cooperation in the way Niagara is addressing our economy, and municipal economic development offices, industry partners, post secondary institutions, and stakeholders are, for the first time, united in their approach to making Niagara an economically prosperous region.

We have seen the same enthusiasm, cooperation and drive in the development and implementation of the Niagara-wide Smoke-Free Outdoor Spaces bylaw. Thanks to successful teamwork with Niagara's cities, towns and townships, we are promoting the health of residents by making parks and other public places smoke-free.

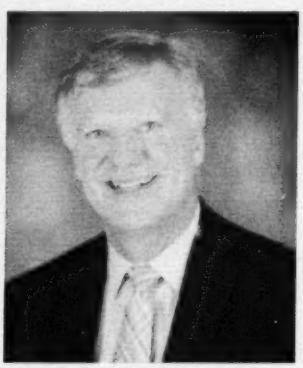
We are also working with municipalities to explore how we can improve public transit services for Niagara. Niagara's 12 mayors are united in their advocacy for permanent commuter GO Rail service to Niagara. It is a major rallying point in our discussions with the Province of Ontario, and it will continue to be a focus in 2014 as we consult residents who use and rely on public transit every day.

We are proud of our 2013 accomplishments. From progress on important projects like the Burgoyne Bridge and the new police headquarters to the expansion of support services for seniors, children and families, we are focused on building community – and creating opportunities to improve the lives of all residents.

We are committed to continuing our customer-focused transformation at Niagara Region. We are excited about the future and welcome discussions with all of our partners to understand how we can work together to better serve and strengthen this Niagara.



Gary Burroughs, Regional Chair



Harry Schlange, CAO

CORPORATE MANAGEMENT TEAM

Harry Schlange*
Chief Administrative Officer

Dr. Valerie Jaeger
Medical Officer of Health

Katherine Chislett
Commissioner, Community Services

Mo Lewis**
Commissioner, Corporate Services

Ron Tripp***
Commissioner, Public Works

Mary Lou Tanner****
Acting Commissioner, Planning and Development

OFFICE OF THE CHIEF ADMINISTRATIVE OFFICER

- Corporate Services Department
- Planning and Development Department
- Public Health Department
- Community Services Department
- Public Works Department

REGIONAL COUNCIL COMMITTEES

- Budget Review Committee of the Whole
- Planning and Development Committee
- Corporate Services Committee
- Public Works Committee
- Public Health and Social Services Committee

BOARDS AND AGENCIES

Provincial Offences Act
Ken Beaman, Chair;
Joanne Spriet, Associate Director, Court Services

Police Services Board
Henry D'Angela, Chair;
Todd Shoalts, Vice-Chair

Niagara Peninsula Conservation Authority
Bruce Timms, Chair; Carmen D'Angelo, *****
Chief Administrative Officer/Secretary-Treasurer

Niagara Regional Housing
Shirley Cordiner, Chair;
Lora Beckwith, General Manager

OTHER SUPPORTING SERVICES

Auditors
KPMG LLP

Fiscal Agents
National Bank Financial Inc., RBC Capital Markets, CIBC Wold Markets Inc.

Fiscal Solicitor
Borden Ladner Gervais

Insurance Broker
HUB International Ontario Limited

Banker
The Royal Bank of Canada

* Mike Trojan served as Chief Administrative Officer until June 2013. Patrick Robson and Ken Brothers co-served until October 2013.
** Debbie Elliot served as acting Commissioner, Corporate Services until December 2013. *** Ken Brothers served as Commissioner, Public Works until October 2013. Betty Matthews-Malone served as acting Commissioner, Public Works until February 2014. **** Planning and Development was formed in February 2014.
***** Tony D'Amario served as Chief Administrative Officer/Secretary-Treasurer until April 30, 2014

Strengthening the organization to better service customers

Council approved the appointment of Harry Schlange as CAO. With a mandate for change focused on improved customer service and partnerships, the CAO has overseen several changes to the leadership team and to the structure of the organization. Key changes and improvements include:

- Merger of planning and development services functions into a new Planning and Development Services division, offering one-window access for our customers
- Consolidation of finance positions into a single Financial Management and Planning division, bringing renewed focus and support to better meet the needs of operating departments and enhance our corporate-wide financial planning capabilities
- Consolidation of strategy, performance management and other business support positions into a new Organizational Performance division. This division will work with staff across the Region to ensure activities are aligned with corporate priorities. It will oversee development of performance measures across the corporation and lead the development of performance improvement initiatives and assist departments with research and data collection projects.

Taxpayer affordability and transparency

Council passed its 2014 budget carrying an increase of 1.89 per cent over 2013. The budget balanced the Region's 10-year capital budget forecast and was passed with taxpayer affordability and sustainable planning for Niagara's future as top priorities. A public consultation process increased transparency and resident engagement in the formulation of the budget.

Service excellence

Niagara Region scored well in a study of service areas led by the Ontario Municipal Benchmarking Initiative. The annual study, which examines performance results from 16 municipalities, showed that the Region had the lowest emergency medical service dispatch time, with the second lowest response time and cost to provide one hour of service. In addition, the Region had the lowest water consumption and lowest operating costs related to IT and legal services. Niagara Region also ranked well in long-term care, roads and waste management.

Fighting homelessness and poverty

In 2013, Regional Council continued its annual commitment of $1.5 million for the Niagara Prosperity Initiative (NPI). These funds are directed to projects delivered by community agencies that help develop and enhance collaborative relationships among stakeholders, strengthen neighbourhoods in need and help meet both immediate and long-term needs of those living in poverty. Since the NPI was established in 2008, more than 72,000 residents have participated and benefited from an NPI-funded initiative.

In consultation with hundreds of stakeholders, the Region led the development and launch of a ten-year housing and homelessness action plan. Entitled A Home for All, the plan sets out six priorities and 80 actions to address homelessness, sustain existing affordable housing and increase the supply of suitable affordable housing.

Caring for seniors and children

Niagara Region continued its support for seniors in 2013. The development of a 20-bed Convalescent Care program provides recuperative care to seniors for up to 90 days prior to returning home after a hospital stay. This program offers a range of services to meet the needs of clients who require complex and continuing or palliative care while reducing pressure on crowded hospitals.

A new physical health and nutrition program was introduced to all child care operators with pre-school aged children. The program is designed to instill the importance of health and nutrition in children from an early age. In addition, a dental sealant program for all children was established as a method of cavity prevention and a reduction of dental-related health issues in children.

Supporting a healthy community

After extensive community engagement and support from local area municipalities, the Region passed a by-law protecting children and vulnerable persons from second-hand smoke in outdoor spaces. The Smoke-free Outdoor Spaces by-law prohibits smoking on regional and municipal owned parks and playgrounds contributing to a smoke-free Niagara.

Based on the success of Niagara InfoDine, Niagara Region expanded its online disclosure system to include Niagara InfoInk and Niagara InfoBeauty. Owners and operators supported the development of the online system that provides residents and visitors about the health inspection results of personal service settings. These include tattoo, piercing, barber, tanning, massage and nail salons.

Reducing waste

In 2013, Niagara Region continued its focus on achieving a 65 per cent waste diversion rate by 2020. As a result of resident participation in various reuse and recycling programs, including Blue Box, Grey Box and Green Bin collection, and hazardous and e-waste drop-offs, Niagara has one of the highest waste diversion rates of Ontario municipalities, with populations over 250,000.

Niagara Region also focused on illegal waste dumping in 2013. A new online reporting tool was created to allow residents to report illegal dumping by identifying the location and what materials were dumped. The new reporting strategy encouraged residents to report incidents while allowing the Region to investigate and remove the material.

Transit

The Niagara Region Transit Pilot Program continued into its third year, providing transit service between Niagara Falls, St. Catharines, Welland, Fort Erie, Thorold and Port Colborne.

Niagara Region Transit saw growth across all segments of ridership in 2013, with total ridership up 37 per cent from 2012, and generated more revenue than forecasted, approximately $733,000.

imagine Niagara

Planning for Niagara's future

In 2013, Niagara Region heard from thousands of residents regarding their vision for Niagara's future. Through the Imagine Niagara campaign, residents were asked to share their priorities for the next 50 years of Niagara's future from growing the economy, to developing infrastructure, preserving agricultural land, and expanding transportation options.

Staff will use the feedback received from residents to inform the long-term Regional Policy Plan, which will be developed in 2014.

Building for Niagara's future

In 2013, Niagara Region began work on multiple projects to build for Niagara's future. $72.9 million was allotted to the transportation capital program, including funding for Burgoyne Bridge, Regional vehicles and road resurfacing.

Council Chamber renovations were initiated in 2013 and completed in April 2014. Groundbreaking for the new Police Headquarters took place in late 2013 with the facility expected to be completed in August 2015. In addition, the Region offered continued support for the Provincial Offences Ccurt site selection, due diligence and costing phase while working to improve the effectiveness and efficiency of the court administration.

$103 million was committed to fund water and wastewater treatment, transmission and collection infrastructure, including the construction of the Niagara-on-the-Lake Wastewater Treatment Plant and upgrades to the Welland Water Treatment Plant.

Staff recognized for excellence

Niagara Region is committed to excellence and supports staff in a variety of ways to foster their professional development. Staff across the organization were recognized in 2013 for the many ways they have served residents:

- The Canadian Urban Institute awarded Niagara Region's Prosperity Initiative with the 2013 Prosperity and Renewal Award. This award recognizes initiatives that successfully engage people and stimulate community revitalization and a stronger economy.
- Niagara Region was recognized by the Recycling Council of Ontario and the Municipal Waste Association, winning two Gold awards for exemplary achievements in recycling and waste diversion. The first award recognized Niagara's 2012 Blue Box Ins and Outs Campaign, while the second recognized the Region's Curbside Battery Collection Pilot in diverting 2.5 metric tonnes of single-use batteries from landfills.

- The Canadian Association of Certified Planning Technicians (CACPT) awarded Niagara Region as Employer of the Year in the public sector, in recognition of its support for CACPT through certification, membership, professional development, volunteerism, and/or promotion of planning technicians within their organization. The Region also received an Excellence in Planning Award from the Ontario Professional Planners Institute in recognition for the Niagara Economic Gateway Strategy and Community Improvement Plan.
- The Region's public engagement efforts, in support of the 2013 budget process, received several awards in 2013. The Canadian Public Relations Society recognized Niagara Region with two Awards of Merit in the Communications Management category and in the Audio Visual category for its corporate overview video, 'What does Niagara Region do.' Staff also received a Silver Leaf Award from the International Association of Business Communicators.
- Niagara Emergency Medical Services staff placed first nationally and internationally in skills competitions. Tracey Groszeibl and Shane Eickmann, were awarded first place in the advanced care paramedic division at the national skills competition. Brock Browett, Shane Eickmann, Brianne Lavery and Hal Klassen placed first at the International Trauma Life Support competition. Both competitions evaluated paramedic skills in real life-threatening and traumatic scenarios along with a written test of medical knowledge.

Supporting our community

The 16th Annual Niagara Regional Chair's Charity Golf Tournament raised over $100,000 in support of several charities: Community Care St. Catharines/Thorold, Pathstone Mental Health, Red Roof Retreat, Start Me Up Niagara, Niagara West YMCA, and the YWCA. Since the tournament's inception, more than $1.2 million has been raised for local charities. Meanwhile, Regional employees contributed over $184,000 to United Way, during the 2013 annual giving campaign.

2013
Niagara Region
Financial Year in Review

The fiscal year ending December 31, 2013

Niagara Region

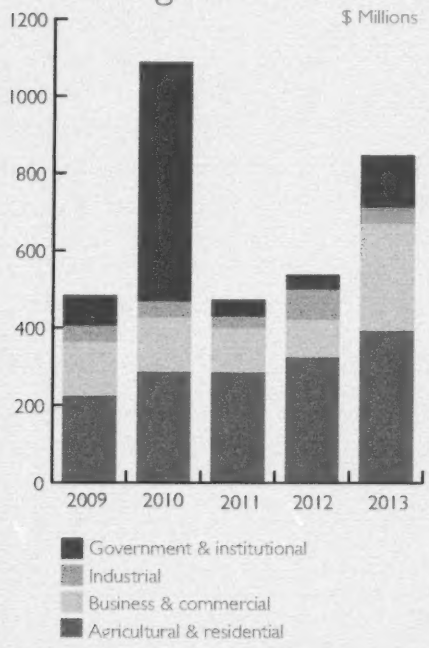
THE NIAGARA REGION PROVIDES PROGRAMS AND SERVICES TO 445,351 RESIDENTS IN 12 LOCAL AREA MUNICIPALITIES.

Niagara Region's Economy

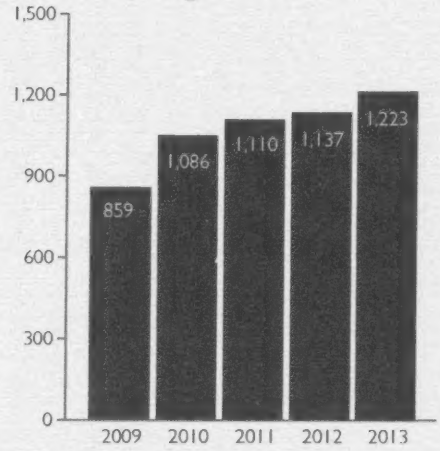
In 2013, Niagara region's 58 per cent increase in total building permit values - from $537 million in 2012 to $846 million in 2013 – is directly attributable to projects designed to make Niagara region a better place to live and do business.[1] Projects include the replacement of Burgoyne Bridge, improvement programs to support road rehabilitation, and the management of water and wastewater across Niagara.

In addition, the region saw an 8 per cent increase in housing starts with 1,223 new permits issued.[2]

Building Permits Issued



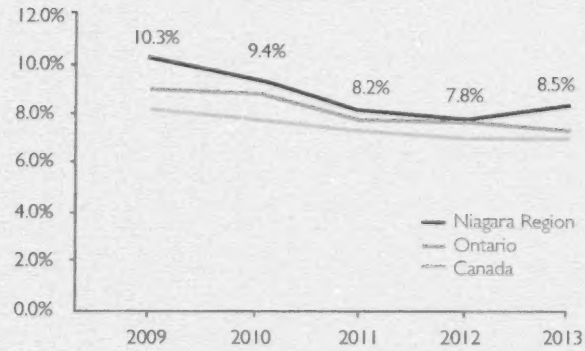
Housing Starts



Unemployment Rates

Despite investments in infrastructure, Niagara region experienced an increase in its unemployment rate from 7.8 per cent to 8.5 per cent.[3] The greatest decline in employment was experienced in the services sector, with a reduction of 10,400 persons employed while the manufacturing sector saw an increase of 2,300 persons employed.[4]

Unemployment Rates



1 Statistics Canada Building Permits report- Catalogue no. 64-001-X. The numbers are from December 2010-2013 reports

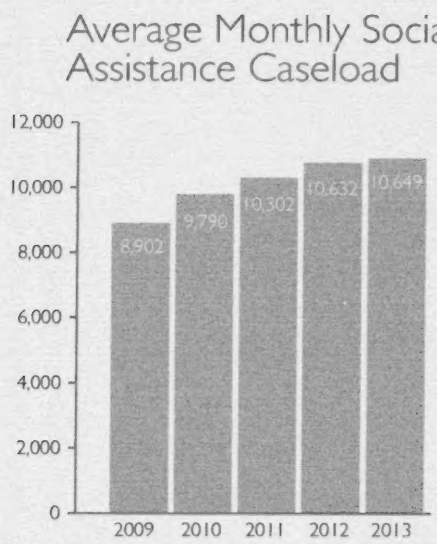
2 CMHC Housing Now Report-First Quarter 2014; Table 1.3B; History of Housing Starts in St. Catharines-Niagara CMA

3 Statistics Canada, Labour Force Survey-CANSIM Table 282-0110 for the St Catharines- Niagara CMA; Table 282-0002 for Ontario and Canada

4 Statistics Canada, Labour Force Survey-CANSIM Table 282-0112 for the St Catharines-Niagara CMA

Average Monthly Social Assistance Caseload

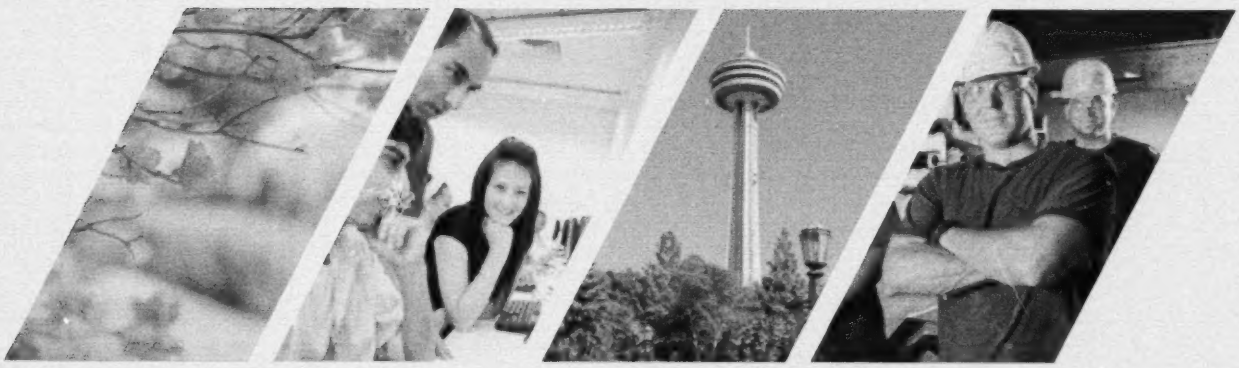
Niagara saw a slight increase in the average monthly social assistance caseload from 10,632 people in 2012 to 10,649 people in 2013, representing a 0.16 per cent increase. Community Services continues to work diligently with each Ontario Works case and the province to provide programs to help those clients find employment opportunities.



Niagara Region will continue to focus its efforts on enabling business growth and economic prosperity by developing the right conditions to facilitate business growth, help existing businesses succeed and attract new investment and innovation. The 2014 budget provides funding for:

- Implementation of new initiatives to support innovation, entrepreneurship and attract domestic and foreign investment;
- Focused efforts to strengthen relationships and coordinate efforts of the Region and the twelve local area municipalities;
- Continued investment in the Smarter Niagara Incentive programs to support sustainable community development by leveraging private sector investment;
- Full implementation of the Gateway Incentives program to attract new and expanded private sector investments and additional job growth for greenfield and brownfield employment lands; and
- Continued support for the second year of the two-year grant program to fully offset Regional industrial development charges, to assist regional manufacturers and help encourage manufacturing investment and job growth

The Region will continue efforts to support investment growth, innovation, entrepreneurship and new partnerships with private and post-secondary sectors, as well as coordinate efforts with the local area municipalities

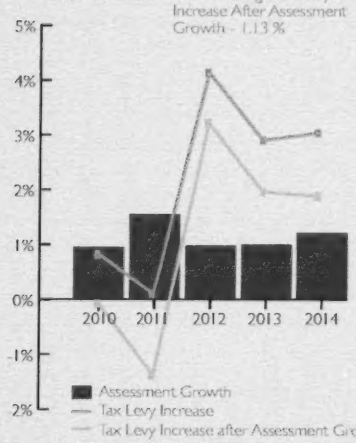


PROPERTY TAXES

On December 12, 2013, Regional Council approved a 2014 tax levy increase of 1.89 per cent after assessment growth. The average homeowner with a residence valued at $231,756 will experience a $35 tax increase in 2014. Historical assessment growth, being the incremental property taxes paid as a result of an expanding region (new homes and businesses), through 2014 is presented below.

Property taxes of $667 per capita and $1,559 per household, when compared to other jurisdictions, illustrate Niagara Region's broader property tax competitiveness.[6] However, as a measure of affordability for residents, property taxes as a percentage of household income are slightly higher for the Niagara region at 3.7 per cent, compared to 3.6 per cent in other jurisdictions.[7]

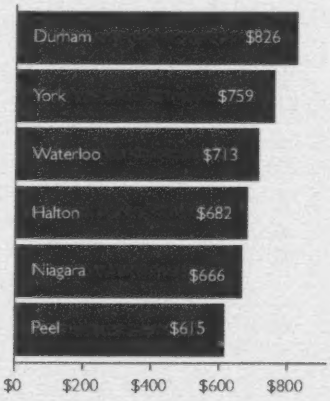
Historical Assessment Growth and Tax Levy Increases



Assessment growth for any given year is based on the information received from the Municipal Property Assessment Corporation (MPAC) in December of the prior year and is used in the setting of tax rates at the time of budget approval.

Regional Property Taxes Per Capita

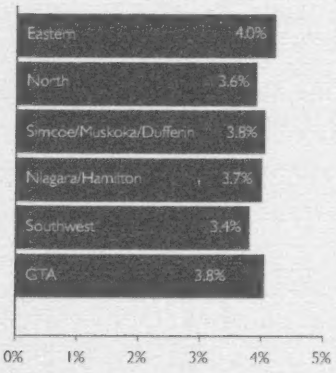
2012



**Source: 2012 FIR; Levy revenue ÷ population*

Property Taxes

As a per cent of household income



**Source: BMA Management Consulting Inc., Municipal Study - 2013*

Recent analysis performed by an independent firm illustrated that the Niagara region maintains a competitive advantage with respect to property taxes on commercial and industrial properties. The review noted that while property tax rates are equal to or higher than other jurisdictions, assessment values representing the cost of capital in the region is on average lower than other jurisdictions. This has resulted in commercial office building properties and large industrial properties paying approximately 9 per cent and 11 per cent per square foot less than other jurisdictions respectively.[5]

5 BMA Management Consulting Inc., Municipal Study - 2013
6 2012 FIR; Levy revenue ÷ population; Levy revenue ÷ households
7 BMA Management Consulting Inc., Municipal Study - 2013

LONG-TERM DEBT STRATEGY

Standard and Poor's "AA" Stable

On January 31, 2014, Standard and Poor's credit rating agency (S&P) reaffirmed Niagara Region's stable "AA" rating. S&P noted that Niagara Region has very positive liquid assets to cover ten times its estimated debt service costs for 2014 and a moderate debt burden of $229 million at the end of 2013. These levels are aligned with Niagara's domestic peers. In addition, S&P noted that Niagara Region demonstrates good financial management and highlighted the Region's robust annual operating and capital budget documents which are shared with auditors and residents, allowing for open disclosure and transparency. S&P highlighted some challenges for Niagara, including modest population growth, lower-than-average provincial household income levels and higher unemployment rates. However, they also noted that the Region continues to leverage a good transportation network and its proximity to the U.S. to attract industrial and commercial investment.

Capital program funding

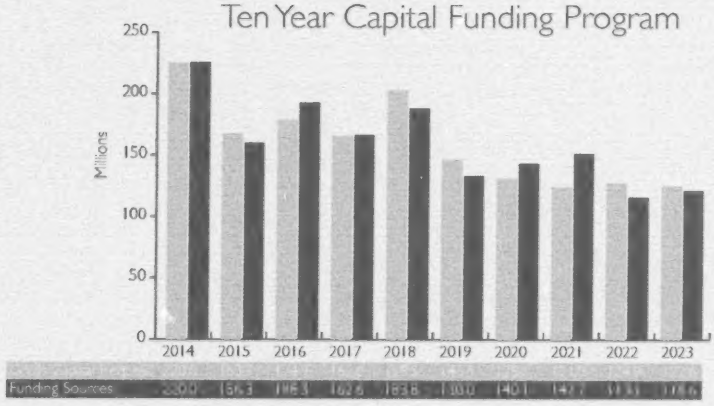
The Region's capital program funding model balances immediate and future needs, affordability and sustainability, while minimizing risk and supporting economic growth in Niagara region. The intent of the model is achieved by adhering to the following concepts:

1. Capital projects are budgeted in their entirety to support transparency of total project costing. Where a project could be considered for phasing the design and construction costs can be budgeted in different years.

2. A source of funding is required for each capital project so one Council does not impede a future Council:
   a. Ensures the 2014 program is maintained within the affordability envelope
   b. Ensures accountability of project funding lies with the approving Council

This model is fundamental to the long-term financial health of the Niagara Region, supports the strong S&P rating, and therefore minimizes the cost of borrowing to the Region and local area municipalities.

The graph below illustrates deviations between gross capital requests and funding sources available within each year. The strategy used to balance the ten year capital forecast is to defer surplus funding in the year it is not required and apply it to years where there are funding shortfalls. In aggregate the ten year capital budget is balanced.



2013 Approved Budget Compared to Financial Statements

A balanced 2013 operating and capital budget was approved by Council on December 6, 2013.

When preparing the budget, Niagara Region considers its cash needs for the year to ensure it collects sufficient tax revenue to cover its obligations and execute its business plan. This includes budgeting for any principal debt repayments and considers any required transfers to or from reserves. Conversely, Niagara Region does not budget for amortization and its annual impact on tangible capital assets, changes in employee future benefit liabilities, and changes in the solid waste landfill closure and post closure costs liability as these are primarily non-cash items.

The budget was prepared for the purpose of setting tax rates and user fees rather than a framework for presenting annual financial results. Therefore, in order to issue financial statements, Niagara Region is required to adjust its presentation of the financial results to be accordance with Canadian public sector accounting standards (PSAS). The chart below identifies the components that move the Region from its approved balanced budget to the Canadian PSAS financial statements presented throughout this annual report.

(in thousands)	Approved Budget	2013	2012
Based on budget approach			
Total Revenues	$ 803,638	$ 810,661	$ 805,833
Total Expenses	803,638	799,069	796,741
Net Surplus	-	11,592	9,092
PSAB Presentation Adjustments			
Recognize in year capital program revenues	25,997	25,997	44,660
Recognize capital fund expenditures resulting in operating expenses	(3,466)	(3,466)	(4,738)
Recognize loss on disposal & proceeds on disposal of assets	(997)	(997)	(3,196)
Remove principal debt repayments	25,894	25,790	28,632
Remove net transfers to reserves	65,241	68,003	47,811
Recognize amortization	(65,494)	(65,494)	(64,672)
Recognize change in landfill liability	7,384	7,384	(28,223)
Recognize change in employee future benefits liability	(3,715)	(3,715)	(4,090)
Other	-	(76)	146
Annual surplus per PSAB consolidated financial statements	$ 50,844	$ 65,018	$ 25,422

AUDIT COMMITTEE

Niagara Region's Audit Committee is responsible for ensuring that:

- Annual consolidated financial statements are prepared in accordance with standard accounting principles and referred to Council for approval;
- Systems of internal control over financial reporting operate effectively and are used to ensure compliance with legal, regulatory and ethical requirements;
- The external audit function is used effectively and issues identified are addressed; and
- Reports issued by the Responsive Region Improvement Team (RRIT) are relevant and reliable. To support this assessment, the Audit Committee may recommend the use of subject matter experts. The Region recommends that the requirement to use subject matter experts be determined annually and align with the annual RRIT work plan.

The Audit Committee evaluates the external auditor based on qualifications, independence, scope of the audit, timing of the audit and fees. The Audit Committee recommends the replacement, reappointment and/or appointment of the external auditors to Council.

FINANCIAL MANAGEMENT AND CONTROL

Niagara Region maintains a system of internal controls designed to safeguard assets and ensure transactions are properly authorized and recorded in compliance with legislative and regulatory requirements. The financial management and control systems of Niagara Region are governed by various by-laws, policies and procedures. Niagara Region's systems of internal controls are monitored and evaluated by management and are subject to independent audit.

Strengthened Financial Framework

Throughout 2013 Niagara Region worked diligently to strengthen its financial framework. In 2013, $12.9 million was committed in the capital budget to replace the current financial management system, commonly referred to as the enhanced financial management service. Once implemented, the new system, in conjunction with standardized business processes, will enhance decision making and the financial reporting environment.

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Canadian PSAS as recommended by the Chartered Professional Accountants of Canada. The statements and related information are the responsibility of management and include financial activities of all entities deemed to be controlled by Niagara Region, including the Niagara Regional Police Service Board, Niagara Regional Housing and Court Services.

The Municipal Act of Ontario requires Niagara Region to appoint an independent auditor to express an opinion as to whether the financial statements present fairly, in all material respects, the Niagara Region's financial position and operating results. In discharging this responsibility, the auditors have complete access to all Niagara Region records and meet regularly with staff to discuss policies, procedures and process improvements arising from the audit. The auditors provide a written report and management letter dealing with the adequacy of internal financial control systems, and an audit opinion regarding the results of the financial statement audit.

Consistent with prior years, Niagara Region's financial statements have received an unqualified audit opinion.

CANADIAN AWARD FOR FINANCIAL REPORTING

For the ninth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) presented Niagara Region with the Canadian Award for Financial Reporting for its 2012 Annual Financial Report. To receive the award, a government organization must present financial information in a clear, concise and informative manner, with content that conforms to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

Niagara Region is continuing this standard of high quality reporting for the submission and evaluation of its 2013 Annual Report to the GFOA's 2013 award program.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The consolidated statement of financial position reports on Niagara Region's financial and non-financial assets, liabilities and accumulated surplus at December 31, 2013.

Net Financial Assets (Net Debt)

Public sector accounting standards require Niagara Region to distinguish between financial and physical assets. Financial assets are those assets on hand, which would provide resources to discharge liabilities or finance future operations. The difference between financial assets and liabilities, or net financial assets (net debt), is an indicator of the Niagara Region's ability to finance future activities and to meet its liabilities and commitments.

In 2013, Niagara Region's net debt position decreased from $14.8 million to $512 thousand. The decrease is primarily the result of cash and investments increasing due to the increase in deferred revenue and the repayment of Regional long-term debt exceeded new debt assumed in 2013.

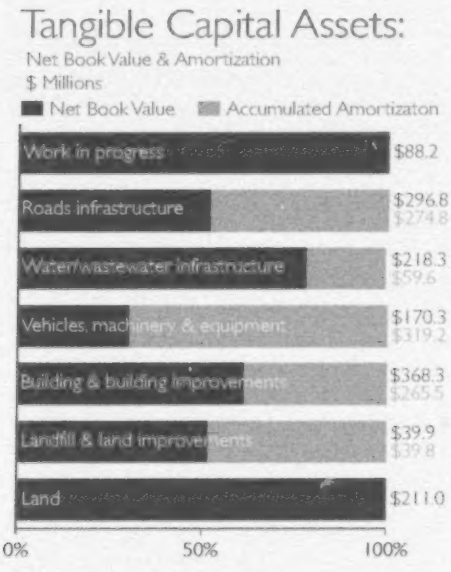
Tangible Capital Assets

Tangible capital assets are significant economic resources managed by Niagara Region and a key component in the delivery of many programs and services.

The net book value of tangible capital assets, as reported in the consolidated statement of financial position, is $1.4 billion and is highlighted by category in the accompanying chart. Total historical costs are $2.4 billion and the total accumulated amortization is $959 million, implying that 40.8 per cent of the estimated useful life of Niagara Region's tangible capital assets has been used in the delivery of programs and services. Amortization can be used to estimate future capital spending requirements with the understanding that asset replacement costs will be significantly higher than historical cost.

During the year Niagara Region acquired $116 million of tangible capital assets. The amortization expense, as reported in the statement of operations, amounted to $65.5 million.

Tangible capital asset acquisitions are approved by Council ensuring that the appropriate funding is in place.



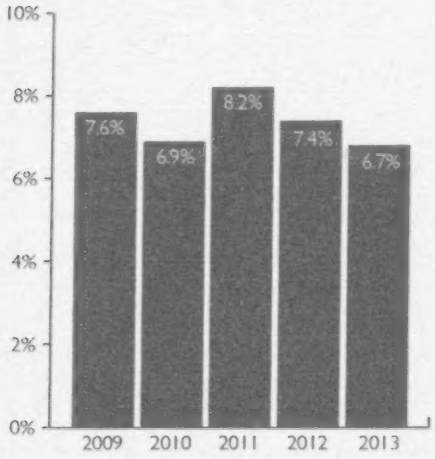
Debt Position

Niagara Region's debt practices are governed by provincial legislation and Council. The province's prescribed annual debt repayment limit stipulates that payments relating to all debt and other long-term financial obligations of a municipality may not exceed 25 per cent of own source revenues, including the annual tax levy, rate generated revenue and user fees.

Niagara Region, by way of provincial legislation, also issues all debt on behalf of the 12 local area municipalities and the conservation authority. The total debt recorded on the consolidated statement of financial position is $461 million and consistent with debt recorded in 2012. The debt attributed to Niagara Region (total debt less debt recoverable from others) is $229 million or $515 per resident, down from $243 million or $544 per resident in 2012. Niagara Region's debt charges (principal and interest) totaled $37 million or 6.7 per cent of own source revenue down from $40.6 million or 7.4 per cent in 2012.

Debt Charges as a Per Cent of Own Source Revenues

$ Millions



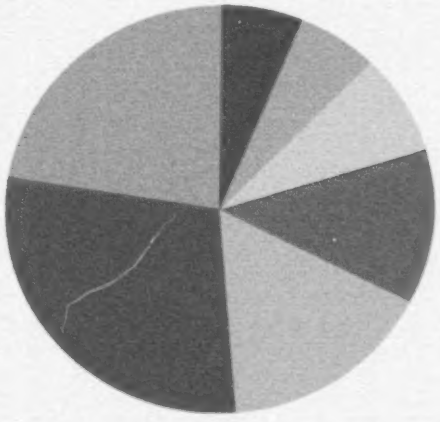
Accumulated Surplus

The accumulated surplus represents the net asset position (financial assets plus non-financial assets less financial liabilities) of Niagara Region.

At December 31, 2013, Niagara Region's accumulated surplus balance is $1.4 billion. This consists of a $1.2 billion investment in tangible capital assets, $273 million in reserves and $132 million unexpended capital financing. These balances are offset by a $12 million operating fund deficit and $150 million in unfunded liabilities. The reserves of $273 million are highlighted by designated purpose in the accompanying chart.

Reserve & Reserve Funds

$ Millions



Department stabilization	$16.6	6%
Corporate stabilization	$21.9	8%
Capital	$33.3	12%
Future liability & commitment	$43.6	16%
Water operations & capital	$78.8	29%
Wastewater operations & capital	$60.9	22%
Waste management operations & capital	$17.4	7%

CONSOLIDATED STATEMENT OF OPERATIONS

The consolidated statement of operations reports Niagara Region's change in economic resources and accumulated surplus. During the year annual revenues exceeded expenditures resulting in a $65 million surplus in accordance with Canadian PSAB standards. Compared to the prior year, Niagara Region's revenues reflect the increase in taxation for the year of $9.3 million, offset with reductions in capital funding from federal grants and development charges. Lower expenses in 2013 relate to additional landfill liability and the hospital contribution recorded in 2012. Below is a breakdown of our revenue sources by type and our expenses by function.

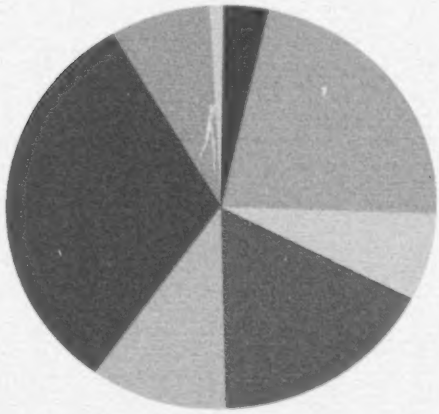
Revenue by Source

$ Millions

Province of Ontario grants	$241.6	29%
Property taxpayer	$321.7	39%
User charges	$204.4	25%
Government of Canada grants	$20.9	2%
Investment income	$12.7	2%
Provincial Offences Act	$8.3	1%
Other	$15.6	2%

Expense by Function

$ Millions



General government	$25.4	3%
Protection to persons and property	$169.0	22%
Transportation services	$53.5	7%
Environmental services	$128.4	17%
Health services	$79.6	10%
Social and family services	$241.0	32%
Social housing	$56.8	8%
Planning and development	$6.6	1%

Conclusion

Providing service to 445,351residents in an ever changing economy requires proactive financial management and a strong financial control framework. Achieving a balance between providing the programs and services residents have come to rely upon, ensuring they can afford to pay for them and making sure we have funds to support future infrastructure and program needs will continue to drive the financial strategies of Niagara Region. We are committed to providing high standards of fiscal excellence at Niagara Region.

Maurice Lewis

Maurice Lewis,
Commissioner of Corporate Services/Treasurer

2013

Niagara Region

Financial Statements

The fiscal year ending December 31, 2013

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December 31, 2013

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MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The accompanying financial statements of The Regional Municipality of Niagara (the "Region") are the responsibility of the Region's management and have been prepared in compliance with legislation, and in accordance with generally accepted accounting principles established by the Public Sector Accounting Board of Chartered Professional Accountants of Canada. A summary of the significant accounting policies are described in Note 1 to the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods.

The Region's management maintains a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded in compliance with legislative and regulatory requirements, and reliable financial information is available on a timely basis for preparation of the financial statements. These systems are monitored and evaluated by management.

The audit committee meets with management and the external auditors to review the financial statements and discuss any significant financial reporting or internal control matters prior to their approval of the financial statements.

The financial statements have been audited by KPMG LLP, independent external auditors appointed by the Region. The accompanying Auditors' Report outlines their responsibilities, the scope of their examination and their opinion on the Region's financial statements.

Maurice Lewis

Maurice Lewis,
Commissioner of Corporate Services/Treasurer
April 10, 2014

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of the Regional Municipality of Niagara

We have audited the accompanying consolidated financial statements of the Regional Municipality of Niagara, which comprise the consolidated statement of financial position as at December 31, 2013, the consolidated statements of operations, change in net financial assets (net debt) and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated statement of financial position of the Regional Municipality of Niagara as at December 31, 2013, and its consolidated results of operations and the changes in its consolidated net financial assets (net debt) and its consolidated cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 10, 2014
St. Catharines, Canada

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2013, with comparative figures for 2012 (In thousands of dollars)

	2013	2012
FINANCIAL ASSETS:		
Cash	$ 83,280	$ 112,036
Investments (note 3)	429,390	368,744
Accounts receivable (note 4)	71,295	65,012
Other current assets	121	366
Debt recoverable from others (note 8)	232,126	217,729
	816,212	763,887
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	95,642	97,821
Employee benefits and other liabilities (note 5)	91,161	87,082
Deferred revenue (note 6)	109,783	66,086
Landfill liability (note 7)	59,399	66,783
Long-term liabilities (note 8)	460,739	460,893
	816,724	778,665
Net debt	(512)	(14,778)
NON-FINANCIAL ASSETS:		
Tangible capital assets (note 9)	1,392,873	1,343,415
Inventory	4,542	4,415
Prepaid expenses	10,022	8,855
	1,407,437	1,356,685
Accumulated surplus (note 10)	$ 1,406,925	$ 1,341,907

The accompanying notes are an integral part of these consolidated financial statements.

THE REGIONAL MUNICIPALITY OF NIAGARA

CONSOLIDATED STATEMENT OF OPERATIONS

Year ended December 31, 2013, with comparative figures for 2012 (In thousands of dollars)

	Budget (note 18)	2013	2012
REVENUES:			
Taxation and user charges:			
Requisitions on local governments	$ 318,942	$ 321,698	$ 310,223
User charges	204,727	204,421	202,696
	523,669	526,119	512,919
Government transfers (note 16):			
Government of Canada	20,157	20,939	27,763
Province of Ontario	244,935	241,557	226,864
Other municipalities	6,464	6,440	6,713
	271,556	268,936	261,340
Other:			
Development charges earned	3,237	3,237	15,066
Investment income	11,130	12,717	14,643
Provincial offences	8,824	8,295	8,854
Miscellaneous	3,961	5,967	6,759
	27,152	30,216	45,322
Total revenues	822,377	825,271	819,581
EXPENSES:			
General government	26,067	25,397	30,820
Protection to persons and property	166,048	169,003	162,728
Transportation services	55,487	53,519	55,862
Environmental services	135,188	128,407	159,404
Health services	79,958	79,597	76,611
Social and family services	245,156	240,951	233,026
Social housing	56,872	56,825	54,831
Planning and development	6,757	6,554	20,877
Total expenses	771,533	760,253	794,159
Annual surplus	50,844	65,018	25,422
Accumulated surplus, beginning of year	1,341,907	1,341,907	1,316,485
Accumulated surplus, end of year	$ 1,392,751	$ 1,406,925	$ 1,341,907

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (NET DEBT)

Year ended December 31, 2013, with comparative figures for 2012 (In thousands of dollars)

	Budget (note 18)	2013	2012
Annual surplus	$ 50,844	$ 65,018	$ 25,422
Acquisition of tangible capital assets	(115,949)	(115,949)	(127,994)
Amortization of tangible capital assets	65,494	65,494	64,672
Loss on sale of tangible capital assets	791	791	2,022
Proceeds on sale of tangible capital assets	206	206	1,319
Change in supplies of inventories	-	(127)	(543)
Change in deposit	-	-	4,814
Change in prepaid expense	-	(1,167)	(419)
Change in net financial assets (net debt)	1,386	14,266	(30,707)
Net financial assets (net debt), beginning of year	(14,778)	(14,778)	15,929
Net debt, end of year	$ (13,392)	$ (512)	$ (14,778)

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

December 31, 2013 with comparative figures for 2012 (In thousands of dollars)

	2013	2012
OPERATING ACTIVITIES:		
Annual surplus	$ 65,018	$ 25,422
Items not involving cash:		
Amortization	65,494	64,672
Loss on sale of tangible capital assets	791	2,022
Change in employee benefits and other liabilities	4,079	4,423
Change in landfill liability	(7,384)	28,223
Change in non-cash assets and liabilities:		
Accounts receivable	(6,283)	9,751
Other current assets	245	(87)
Accounts payable and accrued liabilities	(2,179)	812
Deferred revenue	43,697	(3,919)
Inventory	(127)	(543)
Deposit	-	4,814
Prepaid expenses	(1,167)	(419)
Net change in cash from operating activities	162,184	135,171
CAPITAL ACTIVITIES:		
Proceeds on sale of tangible capital assets	206	1,319
Cash used to acquire tangible capital assets	(115,949)	(127,994)
Net change in cash from capital activities	(115,743)	(126,675)
INVESTING ACTIVITIES:		
Proceeds from investments	115,690	188,021
Purchase of investments	(176,336)	(149,225)
Net change in cash from investing activities	(60,646)	38,796
FINANCING ACTIVITIES:		
Debt issued and assumed	11,369	6,303
Long-term debt repaid	(25,790)	(28,632)
Increase in sinking fund assets	(130)	(71)
Net change in cash from financing activities	(14,551)	(22,400)
Net change in cash	(28,756)	24,892
Cash, beginning of year	112,036	87,144
Cash, end of year	$ 83,280	$ 112,036
Cash paid for interest	$ 11,359	$ 12,208
Cash received from interest	11,364	14,966
Non-cash investing and financing activities:		
Debt issued on behalf of others	39,727	24,399
Repayment made on debt on behalf of others	25,330	23,624

The accompanying notes are an integral part of these consolidated financial statements.

1. Significant accounting policies:

The consolidated financial statements of The Regional Municipality of Niagara (the "Region") are prepared by management in accordance with Canadian public sector accounting standards ("PSAS") as recommended by the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Region are as follows:

(a) Basis of consolidation:

(i) Consolidated entities:
The consolidated financial statements reflect the assets, liabilities, revenues, expenses and fund balances of the reporting entity. The reporting entity is comprised of all organizations, committees and local boards accountable for the administration of their financial affairs and resources to the Region and which are owned or controlled by the Region. These entities and organizations include:

Niagara Regional Police Services
Niagara Regional Housing
Court Services Operations
Niagara Economic Development Corporation

Interdepartmental and inter-organizational transactions and balances between these organizations are eliminated.

(ii) Trust funds:
Trust funds and their related operations administered by the Region are not included in these financial statements.

(b) Basis of accounting:

The Region follows the accrual method of accounting for revenues and expenses. Revenues are recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as a result of receipt of goods or services and/or the creation of a legal obligation to pay.

(c) Investments:

Investments consist of bonds and money market notes and are stated at the lower of cost and market value. Gains and losses on investments are recorded when incurred.

1. Significant accounting policies (continued):

(d) Non-financial assets:

Non financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year and are not intended for sale in the ordinary course of operations.

(i) Tangible capital assets:
Tangible capital assets are recorded at cost which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of the tangible capital assets, excluding land and landfill sites, are amortized on a straight line basis over their estimated useful lives as follows:

Asset		Useful Life - Years
Landfill and Land improvements		3 - 50
Building and building improvements		3 - 60
Vehicles, machinery and equipment	- Vehicles	4 - 20
	- Machinery and equipment	3 - 60
Water and wastewater infrastructure		25 - 100
Roads infrastructure	- Base	40
	- Bridge and culvert	60
	- Surface	10

Landfill sites are amortized using the units of production method based upon capacity used during the year.

One half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction (work in progress) are not amortized until the asset is available for productive use.

(ii) Contributions of tangible capital assets:
Tangible capital assets received as contributions are recorded at their fair value at the date of receipt and also are recorded as revenue.

(iii) Intangible assets:
Intangible assets and natural resources that have not been purchased are not recognized as assets in the financial statements.

(iv) Interest capitalization:
The Region's tangible capital asset policy does not allow for the capitalization of interest costs associated with the acquisition or construction of a tangible capital asset.

1. Significant accounting policies (continued):

(d) Non-financial assets (continued):

(v) Leases:
Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenditures as incurred.

(vi) Inventories:
Inventories held for consumption are recorded at the lower of cost and replacement cost.

(e) Reserves:

Certain amounts, as approved by Regional Council are set aside in reserves for future operating and capital purposes. Transfers to and/or from reserves are an adjustment to the respective reserve when approved. Reserves are presented on the statement of financial position in accumulated surplus.

(f) Government transfers:

Government transfers are recognized as revenue in the financial statements when the transfer is authorized, any eligibility criteria are met and a reasonable estimate of the amount can be made, except when and to the extent that stipulations by the transferor give rise to an obligation that meet the definition of a liability. Government transfers that meet the definition of a liability are recognized as revenue as the liability is extinguished.

(g) Deferred revenue:

Deferred revenues represent development charges, grants, user charges and fees which have been collected but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year the services are performed.

(h) Taxation revenue:

Property tax revenue is recognized on an accrual basis using the approved tax rates and the anticipated assessment related to the current year.

(i) Investment income:

Investment income earned is reported as revenue in the period earned. Investment income earned on development charge reserve funds is added to the fund balance and forms part of the deferred development revenue balance.

1. Significant accounting policies (continued):

(j) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the period. Significant estimates include assumptions used in estimating provisions for tax reassessments, accrued liabilities, landfill liability, certain payroll liabilities and in performing actuarial valuations of employee future benefits. Amounts recorded for amortization of tangible capital assets are based on estimates of useful service life. Actual results could differ from these estimates.

2. Changes in accounting policies:

(a) Government transfers:

On January 1, 2013 the Region adopted Public Sector Accounting Standard PS 3410, Government Transfers. This standard was adopted on a prospective basis from the date of adoption.

Under PS 3410, government contributions received or receivable are recognized in revenue once the eligibility criteria, if any, are met unless they meet the definition of a liability. Government transfers distributed are recognized as a liability and an expense when the transfer is authorized and all eligibility criteria have been met by the recipient.

There were no adjustments required as a result of the adoption of this standard.

(b) Tax revenue:

On January 1, 2013 the Region adopted Public Sector Accounting Standard PS 3510, Tax Revenue. This standard was adopted on a prospective basis from the date of adoption.

Under PS 3510, municipalities recognize property tax revenue using the approved mill rate and the anticipated assessment. The standard requires that tax revenue is reported net of tax concessions. Tax transfers are included as an expense and taxes levied on behalf of others in a flow through arrangement are not reported in the statement of operations.

There were no adjustments required as a result of the adoption of this standard.

3. Investments:

Investments reported on the consolidated statement of financial position have market values as follows:

	2013		2012	
	Cost	Market Value	Cost	Market Value
Investments	$ 429,390	$ 435,080	$ 368,744	$ 377,219

4. Accounts receivable:

Accounts receivable are reported net of a valuation allowance of $2,551 (2012 - $3,988).

5. Employee benefits and other liabilities:

The Region provides certain employee benefits which will require funding in future periods. These benefits include sick leave, benefits under the Workplace Safety and Insurance Board ("WSIB") Act, and life insurance, extended health and dental benefits for early retirees.

	2013	2012
Future payments required to WSIB	$ 29,995	$ 26,061
Accumulated Sick Leave Benefit Plan entitlements	15,468	15,814
Retiree benefits	32,343	31,616
Vacation pay	10,076	10,530
Other liabilities	3,279	3,061
Total employee benefits and other liabilities	$ 91,161	$ 87,082

Government transfers have been recorded to fund certain employee benefits in the amount of $840 (2012 - $477). The remaining unfunded employee benefits and other liabilities, to be funded in future years, (note 10) total $90,321 (2012 - $86,805).

5. Employee benefits and other liabilities (continued):

The Region has established reserve funds to mitigate the future impact of these obligations. These reserve funds are presented in the statement of financial position in accumulated surplus. Reserves relating to these liabilities are as follows:

	2013	2012
Workplace safety and insurance	$ 16,758	$ 16,533
Cumulative sick leave	2,509	2,759
Police accumulated sick leave	3,828	4,276
Future health and dental claims	12,881	11,981
Total	$ 35,976	$ 35,549

Information about the Region's benefit plans is as follows:

	2013	2012
Accrued benefit obligation:		
Balance, beginning of year	$ 96,599	$ 84,610
Current benefit cost	5,178	5,584
Interest	2,995	2,902
Actuarial (gain) loss	(3,965)	9,149
Benefits paid	(5,711)	(5,646
Balance, end of year	95,096	96,599
Unamortized actuarial loss	(3,935)	(9,517)
Liability for benefits	$ 91,161	$ 87,082

Included in expenditures is $1,617 (2012 - $1,582) for amortization of the actuarial loss. The unamortized actuarial loss is amortized over the expected average remaining service life as listed below:

Accumulated Sick Leave Benefit Plan entitlements	6 - 12 years
Retiree benefits	10 - 18 years

The unamortized actuarial loss on future payments required to WSIB is amortized over the expected period of the liability which is 10 years.

Accumulated sick leave

Under the accumulated sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment.

5. Employee benefits and other liabilities (continued):

WSIB

With respect to responsibilities under provisions of the Workplace Safety and Insurance Board ("WSIB") Act the Region has elected to be treated as a Schedule 2 employer and remits payments to the WSIB as required to fund disability payments. An actuarial estimate of future liabilities has been completed and forms the basis for the estimated liability reported in these financial statements. The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuation are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2013, of the present value of future liabilities and the expense for the 12 months ended December 31, 2013, were determined using a discount rate of 4.2% (2012 – 3.5%).

b) Administration costs:

Administration costs were assumed to be 22.2% (2012 - 22.2%) of the compensation expense.

c) Compensation expense:

Compensation costs, include loss of earnings benefits, health care costs and non-economic loss awards, were assumed to increase at rates ranging from 2.5% to 6.5% (2012 - 2.5% to 6.5%).

Retiree benefits

The Region pays certain life insurance benefits on behalf of the retired employees as well as extended health and dental benefits for early retirees to age 65 and Health Care Spending Accounts for certain retirees until the age of 70 or 75 depending on year of retirement. The Region recognizes these post-retirement costs in the period in which the employees rendered the services. The accrued benefit liability and the expense for the 12 months ended December 31, 2013, were determined by actuarial valuation using a discount rate of 4.2% (2012 - 3.5%). The most recent actuarial valuation was performed as at December 31, 2012.

The main actuarial assumptions employed for the valuations are as follows:

a) Interest (discount rate):

The obligation as at December 31, 2013, of the present value of future liabilities and the expense for the 12 months ended December 31, 2013, were determined using a discount rate of 4.2% (2012 - 3.5%).

b) Medical costs:

Medical costs were assumed to increase at the rate of 5 1/3% per year reducing to 4.0% per year in 2018 and thereafter (2012 - 5 2/3% to 4%).

c) Dental costs:

Dental costs were assumed to increase at the rate of 3.5% (2012 - 3.5%) per year.

5. Employee benefits and other liabilities (continued):

Other pension plans

The Region makes contributions to the Ontario Municipal Employees Retirement Fund ("OMERS"), which is a multi-employer plan. The plan is a defined benefit plan which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay.

The amount contributed to OMERS for 2013 was $26,015 (2012 - $22,666) for current service and is included as an expenditure on the consolidated statement of operations. Employees' contribution to OMERS in 2013 was $25,980 (2012 - $22,666).

Contributions for employees with a normal retirement age of 65 were being made at rate of 9% (2012 - 8.3%) for earnings up to the yearly maximum pensionable earnings of $51.1 (2012 - $50.1) and at a rate of 14.6% (2012 - 12.8%) for earnings greater than the yearly maximum pensionable earnings. For uniformed police officers with a normal retirement age of 60, those rates were 9.3% (2012 - 9.4%) and 15.9% (2012 - 13.9%) respectively.

The OMERS pension plan has a deficit based on an actuarial valuation of plan assets. In response OMERS increased contributions for both employees and employers by 0.9% for 2013. There were no changes to contributions rates or benefits for 2014. If actuarial surpluses are not available to offset the existing deficit and subsidize future contributions, increases in the contribution may be required in future years.

6. Deferred revenue:

A requirement of PSAS is that obligatory reserve funds be reported as deferred revenue. The Region treats development charges and gasoline tax as obligatory reserve funds. The Region has obligatory reserve funds in the amount of $70,659 (2012 - $45,265). These reserve funds are considered obligatory as Provincial and Federal legislation restricts how these funds may be used and, under certain circumstances, how these funds may be refunded.

In the case of development charges, revenue recognition occurs after the funds have been collected and when the Region has approved and incurred the expenditures for the capital works for which the development charges were raised. These funds have been set aside, as required by the Development Charges Act, to defray the cost of growth related capital projects associated with new development.

The deferred revenues, reported on the consolidated statement of financial position, are made up of the following:

	2013	2012
Development Charges	$ 53,396	$ 34,103
Gasoline Tax	17,263	11,162
Ontario Strategic Investments Fund Niagara-on-the-Lake wastewater treatment plant	14,430	-
Investing in Ontario Grant	10,617	10,617
Other deferred revenue	14,077	10,204
	$ 109,783	$ 66,086

6. Deferred revenue (continued):

The continuity of obligatory reserve funds and the Ontario Strategic Investments Fund are summarized below:

Development Charges:

	2013	2012
Balance, beginning of year	$ 34,103	$ 35,995
Externally restricted inflows	21,765	12,898
Revenue earned	(3,237)	(15,066)
Investment income	765	276
Balance, end of year	$ 53,396	$ 34,103

Gasoline tax:

	2013	2012
Balance, beginning of year	$ 11,162	$ 14,140
Externally restricted inflows	13,502	13,111
Revenue earned	(7,558)	(16,246)
Investment income	157	157
Balance, end of year	$ 17,263	$ 11,162

Ontario Strategic Investments Fund - Niagara-on-the-Lake wastewater treatment plant:

	2013	2012
Balance, beginning of year	$ -	$ -
Externally restricted inflows	14,430	-
Balance, end of year	$ 14,430	$ -

7. Landfill liability:

The Region owns and operates a number of landfill sites. As well, they own and monitor several landfill sites which have been closed. The liability for closure of operational sites and post-closure care has been recognized based upon the usage of the site's capacity during the year. The costs were based upon the 2013 budget and inflation adjusted at rates from 1.5% to 3.0% per annum (2012 - 1.5% to 3.0%) until the estimated year of closure. These costs were then discounted to December 31, 2013 using a discount rate of 4.2% (2012 - 3.5%). Post-closure care is estimated to be required for 25 years from the date of site closure. The liability for closure and post-closure care as at December 31, 2013 is $59,399 (2012 - $66,783). Estimated expenses for closure and post-closure care are $67,417 (2012 - $76,150). The liability remaining to be recognized is $8,018 (2012 - $9,367). It is estimated that the life of the sites range from 1 to 40 years.

8. Net long-term liabilities:

(a) In addition to long-term liabilities incurred directly, the Region has assumed the responsibility for the charges on debt originally incurred by local municipalities in respect of functions which are now a Regional responsibility.

As well as incurring long-term liabilities for regional purposes, the Region also incurs long-term liabilities on behalf of the Area Municipalities. The responsibility for raising the amounts required to service this debt lies with the respective Area Municipalities.

The balance of net long-term liabilities reported on the consolidated balance sheet is made up of the following:

	2013	2012
Long-term liabilities incurred by the Region (including capital lease)	$ 464,536	$ 462,985
Long-term liabilities assumed by the Region incurred by others	988	1,034
Less: Sinking fund assets	(4,785)	(3,126)
Long-term liabilities	460,739	460,893
Debt recoverable from others net of sinking fund assets (long-term liabilities incurred by the Region for which other entities have assumed responsibility)	(232,126)	(217,729)
Net long-term liabilities, end of year	$ 228,613	$ 243,164

(b) The long-term liabilities in (a) issued in the name of the Region have received approval of the Ontario Municipal Board for those approved on or before December 31, 1992. Those approved after January 1, 1993 have been approved by by-law. The annual principal and interest payments required to service these liabilities are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs.

8. Net long-term liabilities (continued):

(c) The Region issued sinking fund debentures of $78,079 payable on June 30, 2040 and bearing interest at the rate of 5.2% per annum. The sinking fund debentures are included in long-term liabilities in (a) and include $9,333 borrowed on behalf of the City of St. Catharines and shown as debt recoverable from others. The City of St. Catharines share of the sinking fund assets have been removed from the debt recoverable from others in (a). Annual principal payments into the sinking fund of $1,512 are due June 30 of each year. These payments are reflected as principal repayments in (e)

(d) The Region is contingently liable for long-term liabilities with respect to tile drainage and shoreline property assistance and for those for which the responsibility for the payment of principal and interest has been assumed by area municipalities and school boards. The total amount outstanding as at December 31, 2013 is $232,126 (2012 - $217,729) and is reported on the consolidated statement of financial position as debt recoverable from others.

(e) Principal payments to be funded by the Region, including sinking fund payments and capital lease obligations, due in each of the next five years are as follows:

2014	**$**	**24,972**
2015		**24,073**
2016		**18,242**
2017		**18,500**
2018		**13,413**
Thereafter		**129,413**
	$	**228,613**

(f) The long-term liabilities in (a) included capital lease obligations for equipment of $672 (2012 - $885) expiring in 2015 with interest at a rate of 2.58%.

(g) Total interest on net long-term liabilities which are reported on the consolidated statement of operations amounted to $11,203 in 2013 (2012 - $11,916). The long-term liabilities bear interest at rates ranging from 1.95% to 8.75%. The interest on long-term liabilities assumed by the municipalities and school boards or by individuals in the case of tile drainage and shoreline property assistance loans are not reflected in these financial statements.

(h) The Region has purchased $27,457 (2012 - $31,689) of its own debentures which have not been cancelled. This investment in own debentures is included in investments on the consolidated statement of financial position. The gross outstanding amount of these debentures is $49,070 (2012 - $60,327).

9. Tangible capital assets:

	2013							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$ 205,528	$ 77,274	$ 620,023	$ 472,211	$ 268,867	$ 546,347	$ 58,271	$ 2,248,521
Additions	5,625	2,554	13,921	23,928	9,088	30,901	29,932	115,949
Disposals	(172)	(151)	(104)	(6,648)	-	(5,582)	-	(12,657)
Balance, end of year	210,981	79,677	633,840	489,491	277,955	571,666	88,203	2,351,813
Accumulated Amortization								
Balance, beginning of year	-	37,454	247,417	301,895	55,767	262,573	-	905,106
Disposals	-	(151)	(50)	(6,485)	-	(4,974)	-	(11,660)
Amortization expense	-	2,461	18,162	23,802	3,844	17,225	-	65,494
Balance, end of year	-	39,764	265,529	319,212	59,611	274,824	-	958,940
Net Book Value, end of year	$ 210,981	$ 39,913	$ 368,311	$ 170,279	$ 218,344	$ 296,842	$ 88,203	$ 1,392,873

9. Tangible capital assets (continued):

	2012							
	Land	Landfill and Land Improvements	Building and Building Improvements	Vehicles, Machinery and Equipment	Water and Wastewater Infrastructure	Roads Infrastructure	Work in progress	Total
Cost								
Balance, beginning of year	$ 200,504	$ 74,425	$ 590,141	$ 483,842	$ 248,762	$ 527,205	$ 26,839	$ 2,151,718
Additions	5,038	2,916	30,584	8,540	20,105	29,379	31,432	127,994
Disposals	(14)	(67)	(702)	(20,171)	-	(10,237)	-	(31,191)
Balance, end of year	205,528	77,274	620,023	472,211	268,867	546,347	58,271	2,248,521
Accumulated Amortization								
Balance, beginning of year	-	35,024	230,455	297,697	51,782	253,326	-	868,284
Disposals	-	(47)	(467)	(20,357)	554	(7,533)	-	(27,850)
Amortization expense	-	2,477	17,429	24,555	3,431	16,780	-	64,672
Balance, end of year	-	37,454	247,417	301,895	55,767	262,573	-	905,106
Net Book Value, end of year	$ 205,528	$ 39,820	$ 372,606	$ 170,316	$ 213,100	$ 283,774	$ 58,271	$ 1,343,415

9. Tangible capital assets (continued):

Work in progress

Work in progress having a value of $88,203 (2012 - $58,271) is not amortized. Amortization of these assets will commence when the asset is put into service.

Contributed Tangible Capital Assets

Contributed capital assets have been recognized at fair market value at the date of contribution. The value of contributed assets received during the year is $54 (2012 - $730).

Tangible Capital Assets Disclosed at Nominal Values

Where an estimate of fair value could not be made, the tangible capital asset was recognized at a nominal value. Land is the only category where nominal values were assigned.

Works of Art and Historical Treasures

No works of art or historical treasures are held by the Region.

10. Accumulated Surplus:

Accumulated surplus consists of balances as follows:

	2013	2012
Surplus:		
Invested in tangible capital assets	$ 1,164,260	$ 1,100,251
Capital fund - unexpended capital financing	132,157	150,367
Operating fund	(12,390)	(12,490)
Unfunded		
Landfill liability	(59,399)	(66,783)
Employee benefits	(90,321)	(86,605)
	1,134,307	1,084,740
Reserves set aside by Council:		
Ambulance communication	1,623	1,699
Children's services	700	700
Circle route initiatives	1,483	1,483
Contingencies	9,074	8,837
Employee benefits	35,976	35,549
Encumbrances	2,523	2,916
General capital levy	8,223	7,012
Investment income stabilization	1,163	1,561
Land ambulance severance	4,681	4,681
Niagara Regional Housing	12,088	11,833
Court Services facilities renewal	2,665	2,213
Public health	303	228
Public liability self-insurance	2,403	2,498
Replacement of equipment	5,335	6,743
Senior services	2,017	2,422
Smart growth	2,153	1,685
Social assistance	7,986	8,489
Tax write-off	5,000	5,000
Taxpayer relief reserve	5,035	3,450
Waste management operations	17,403	15,297
Wastewater operations	60,907	56,488
Water operations	78,842	73,250
Other	5,035	3,133
	272,618	257,167
	$ 1,406,925	$ 1,341,907

11. Trust funds:

Trust funds administered by the Region amounting to $953 (2012 - $1,066) have not been included in the consolidated statement of financial position nor have their operations been included in the consolidated statement of operations.

12. Commitments:

(a) The Region has outstanding contractual obligations of approximately $132,342 (2012 - $52,659) for public works projects. These costs include holdbacks. The holdbacks related to work completed as of December 31, 2013 have been accrued. Regional council has authorized the financing of these obligations.

(b) The Region is committed to paying principal and interest payments on provincial debentures issued to finance the properties transferred to Niagara Regional Housing from Ontario Housing Corporation. The debentures are outstanding in the amount of $17,511 (2012 - $19,135). Annual payments of $2,847 (2012 - $3,090) have been charged to current operations.

(c) The Region enters into various service contracts in the normal course of business which have been approved by the appropriate level of management or by Council but which have not been reported as commitments.

(d) Minimum annual lease payments:

The Region rents premises and equipment with minimum annual lease payments as follows:

	2013	2012
2013	$ -	$ 1,970
2014	2,135	1,565
2015	1,826	1,411
2016	1,328	1,164
2017	590	433
2018	246	115
Thereafter	3,094	2,824
	$ 9,219	$ 9,482

13. Contingent liabilities:

(a) From time to time, the Region is subject to claims and other lawsuits that arise in the ordinary course of business, some of which may seek damages in substantial amounts. These claims may be covered by the Region's insurance up to a maximum of $20,000 per occurrence for claims incurred prior to November 2013, and $50,000 per occurrence for claims incurred after November 2013. Liability for these claims and lawsuits are recorded to the extent that the probability of a loss is likely and it is estimable.

(b) At December 31, 2013, salary or benefit agreements were not settled for the Ontario Nurses Association 9 bargaining unit.

Management has estimated the liability at December 31, 2013 based on the status of negotiations and has accrued that amount as an operating expense in the current year. The ultimate cost, however, will depend on the final settlement. Any additional costs will be expensed in the year that settlement is determined.

14. Public liability insurance:

The Region has undertaken a portion of the risk for public liability, as a means of achieving efficient and cost effective risk management. The Region is self insured for public liability claims up to $1,000 for any individual claim and $1,000 for any number of claims arising out of a single occurrence. Outside coverage is in place for claims in excess of these amounts up to $20,000 per occurrence for claims incurred prior to November 2013, and $50,000 per occurrence for claims incurred after November 2013.

The Region has a reserve fund for allocated self insurance claims which as at December 31, 2013 amounted to $2,403 (2012 - $2,498) and which is reported on the consolidated statement of financial position under accumulated surplus. An amount of $1,940 (2012 - $nil) has been transferred to this reserve fund in the current year. An amount of $2,035 (2012 - $16) has been transferred from this reserve fund in the current year.

Payments charged against operations in the current year amounted to $1,299 (2012 - $2,438).

15. Self funded employee benefit plans:

The Region provides a group health and dental plan for certain employees and has assumed the full liability for payment of benefits under this plan.

Payments charged against operations in the current year amounted to $14,933 (2012 - $14,400).

16. Government transfers:

	Budget	2013	2012
Revenue:			
Government of Canada:			
General government	$ 12	$ 620	$ 1,084
Protection to persons and property	-	-	2
Transportation services	8,093	8,093	15,173
Environmental services	563	569	1,158
Health services	-	52	66
Social and family services	476	659	637
Social housing	11,013	10,946	9,643
	20,157	20,939	27,763
Province of Ontario:			
General government	-	6	-
Protection to persons and property	5,153	5,367	5,041
Transportation services	2,060	2,060	983
Environmental services	628	512	1,597
Health services	53,446	53,727	51,193
Social and family services	175,165	171,761	163,374
Social housing	8,483	8,124	4,676
	244,935	241,557	226,864
Other municipalities:			
General government	221	205	138
Transportation services	2,373	2,373	5,406
Environmental services	3,870	3,870	1,132
Health Services	-	-	2
Social and family services	-	(8)	35
	6,464	6,440	6,713
Total revenues	$ 271,556	$ 268,936	$ 261,340

17. Segmented information:

Segmented information has been identified based upon functional areas by the Region.

The functions have been separately disclosed in the segmented information as follows:

(i) General government:

General government consists of the general management of the Region, including adopting bylaws and policy, levying taxes, issuing debentures and providing administrative, technical, facility management, and financial services.

(ii) Protection to persons and property:

Protection to persons and property is comprised of the Police Services and Court Services. The mandate of Police Services is to ensure the safety of the lives and property of citizens; preserve peace and good order; prevent crimes from occurring; detect offenders; and enforce the law. Court Services is responsible for administering and prosecuting Provincial Offences including those committed under the Highway Traffic Act, the Compulsory Automobile Insurance Act, the Trespass to Property Act, the Liquor License Act and other provincial legislation, municipal by-laws and minor federal offences. Court Services governs all aspects of the legal prosecution process, from serving an offence notice to an accused person to conducting trials including sentencing and appeals.

(iii) Transportation services:

Within the Public Works department, this segment is responsible for the planning, design, operation and maintenance of the roadway system, the maintenance of parks and open space, and street lights.

(iv) Environmental services:

Within the Public Works department, this segment is responsible for the engineering and operation of the water and wastewater systems and waste management, the latter of which encompasses solid waste collection and disposal and Niagara Recycling.

(iv) Health services:

The Public Health Department offers a range of programs related to health services that includes protection and promotion, disease and injury prevention and also oversees the Emergency Services Division ("ESD") that encompasses both Land Ambulance ("Paramedic") Services and Land Ambulance Communications ("Dispatch") Services.

17. Segmented information (continued):

(vi) Social and family services:

The Community Services department is responsible for providing public services that sustains and supports individuals, families and communities. Programs and services are delivered through Senior Services, Children's Services, and Social Assistance and Employment Opportunities.

(vii) Social housing:

The Region is committed to providing and advocating for secure, affordable housing in the region.

(viii) Planning and development:

The planning and development department provides information to Council and the community through working with partners and community groups to support planning initiatives in the region, providing information to residents about Region programs and services and providing leadership in the development, maintenance and growth of the emergency readiness in Niagara. The planning and development department also supports the economic development and Region special initiatives, including contributions to the Niagara Health System.

Certain allocation methodologies are employed in the preparation of segmented information. Taxation and payments-in-lieu of taxes are allocated to the segments based on the segment's budgeted net expenses. User charges and other revenue have been allocated to the segments based upon the segment that generated the revenue. Government transfers have been allocated to the segment based upon the purpose for which the transfer was made. Development charges earned and developer contributions received were allocated to the segment for which the charge was collected.

The accounting policies used in these segments are consistent with those followed in the preparation of the consolidated financial statements as disclosed in Note 1.

17. Segmented information (continued):

	2013								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 10,909	$ 146,363	$ 50,473	$ -	$ 29,526	$ 45,093	$ 29,602	$ 9,732	$ 321,698
User charges	465	8,111	3,305	155,191	498	23,745	12,708	398	204,421
Government transfers	831	5,367	12,526	4,951	53,779	172,412	19,070	-	268,936
Development charges earned	-	-	2,519	718	-	-	-	-	3,237
Investment income	12,612	-	-	-	1	-	104	-	12,717
Court Services	-	8,295	-	-	-	-	-	-	8,295
Other	1,492	634	(927)	3,311	683	346	314	114	5,967
Total revenues	26,309	168,770	67,896	164,171	84,487	241,596	61,798	10,244	825,271
Expenses:									
Salaries, wages and employee benefits	6,596	136,941	15,487	28,327	65,663	91,838	5,177	2,926	352,955
Operating expenses	13,332	16,012	15,850	69,669	12,239	54,288	18,986	2,679	203,055
External transfers	-	9,926	86	4	-	90,539	26,067	924	127,546
Debt services	1,186	825	2,730	4,710	40	1,212	475	25	11,203
Amortization	4,283	5,299	19,366	25,697	1,655	3,074	6,120	-	65,494
Total expenses	25,397	169,003	53,519	128,407	79,597	240,951	56,825	6,554	760,253
Annual surplus (deficit)	$ 912	$ (233)	$ 14,377	$ 35,764	$ 4,890	$ 645	$ 4,973	$ 3,690	$ 65,018

17. Segmented information (continued):

	2012								
	General government	Protection to persons and property	Transportation services	Environmental services	Health services	Social and family services	Social housing	Planning and development	Total
Revenues:									
Taxation	$ 13,372	$ 138,356	$ 47,436	$ -	$ 28,471	$ 45,624	$ 27,754	$ 9,210	$ 310,223
User charges	469	8,310	3,527	153,694	515	23,362	12,374	445	202,696
Government transfers	1,222	5,043	21,562	3,887	51,261	164,046	14,319	-	261,340
Development charges earned	-	-	7,834	7,232	-	-	-	-	15,066
Investment income	14,587	-	-	-	2	-	54	-	14,643
Court Services	-	8,854	-	-	-	-	-	-	8,854
Other	1,489	652	(1,114)	3,407	928	499	896	2	6,759
Total revenues	31,139	161,215	79,245	168,220	81,177	233,531	55,397	9,657	819,581
Expenses:									
Salaries, wages and employee benefits	5,908	130,713	15,762	27,619	63,575	88,776	4,880	2,522	339,755
Operating expenses	19,210	15,758	18,052	100,797	11,368	47,269	18,337	3,005	233,796
External transfers	-	9,946	76	-	2	92,902	25,775	15,319	144,020
Debt services	1,273	950	3,089	4,932	54	1,303	284	31	11,916
Amortization	4,429	5,361	18,883	26,056	1,612	2,776	5,555	-	64,672
Total expenses	30,820	162,728	55,862	159,404	76,611	233,026	54,831	20,877	794,159
Annual surplus (deficit)	$ 319	$ (1,513)	$ 23,383	$ 8,816	$ 4,566	$ 505	$ 566	$ (11,220)	$ 25,422

18. Budget data:

The budget data presented in these consolidated financial statements are based upon the 2013 operating and capital budgets approved by Council on December 6, 2012. The chart below reconciles the approved budget to the budget figures reported in these consolidated financial statements. Budgets established for tangible capital asset acquisitions are on a project-oriented basis, the costs of which may be carried out over one or more years. Where amounts were budgeted for on a project-oriented basis, the budget amounts used are based on actual projects that took place during the year to reflect the same basis of accounting that was used to report the actual results. In addition, to ensure comparability of expenses, the allocation of program support costs completed for actual reporting was also applied to the budget amounts.

		Budget Amount
REVENUES:		
Operating		
Approved budget	$	803,638
Reclassification between revenue and expense		(401)
Budget updates		3,659
Capital:		
Development charges		3,237
Grants and subsidies		22,896
Other contributions		(190)
Contributed assets		54
Less:		
Transfers from reserves		(9,519)
Loss on sale of tangible capital assets		(791)
Proceeds on sale of tangible capital assets		(206)
Total revenue		822,377
EXPENSES:		
Operating		
Approved budget		803,638
Reclassification between revenue and expense		(401)
Budget updates		3,659
Add:		
Capital project cost resulting in operating expenses		5,963
Amortization		65,494
Employee future benefits		3,715
Less:		
Operating expenses resulting in tangible capital assets		(2,497)
Landfill liability		(7,384)
Transfers to reserves, including capital		(74,760)
Debt principal payments		(25,894)
Total expenses		771,533
Annual surplus	$	50,844

19. Comparative figures:

Certain 2012 comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted in the current year. There was no impact to the annual or accumulated surplus as a result of the reclassification of 2012 comparative figures.

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying financial statements of the sinking funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2013, the statements of operations and change in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the sinking funds of The Regional Municipality of Niagara as at December 31, 2013, and its results of operations and the changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 10, 2014
St. Catharines, Canada

THE REGIONAL MUNICIPALITY OF NIAGARA

SINKING FUND STATEMENT OF FINANCIAL POSITION

As at December 31, 2013, with comparative figures for December 31, 2012 (In thousands of dollars)

	2013	2012
FINANCIAL ASSETS:		
Cash	$ 172	$ 33
Interest receivable	21	18
Due from operating fund	20	27
Investments (note 2)	4,573	3,048
	4,786	3,126
FINANCIAL LIABILITIES:		
Accounts payable and accrued liabilities	5	5
Sinking fund requirements		
City of St. Catharines	572	374
The Regional Municipality of Niagara	4,209	2,758
	4,786	3,137
Accumulated deficit and net debt	$ -	$ (11)

The accompanying notes are an integral part of these financial statements.

SINKING FUND STATEMENT OF OPERATIONS AND CHANGE IN NET DEBT

Year ended December 31, 2013, with comparative figures for the year ended December 31, 2012
(In thousands of dollars)

	2013	2012
REVENUES:		
Contributions	$ 1,512	$ 1,512
Investment income	153	87
Total revenues	1,665	1,599
EXPENSES:		
Professional fees	5	5
Provision for sinking fund requirements	1,649	1,593
Total expenses	1,654	1,598
Net change in fund balance for the year	11	1
Accumulated deficit and net debt, beginning of year	(11)	(12)
Accumulated deficit and net debt, end of year	$ -	$ (11)

The accompanying notes are an integral part of these financial statements.

SINKING FUND STATEMENT OF CASH FLOWS

Year ended December 31, 2013, with comparative figures for the year ended December 31, 2012
(In thousands of dollars)

	2013	2012
OPERATING ACTIVITIES:		
Net change in fund balance for the year	$ 11	$ 1
Change in non-cash assets and liabilities:		
Interest receivable	(3)	(4)
Due from operating fund	7	(27)
Net change in cash from operating activities	15	(30)
INVESTING ACTIVITIES:		
Purchase of investments	(1,525)	(1,531)
Net change in cash from investing activities	(1,525)	(1,531)
FINANCING ACTIVITIES:		
Increase in sinking fund requirements	1,649	1,593
Net change in cash from financing activities	1,649	1,593
Net change in cash	139	32
Cash, beginning of year	33	1
Cash, end of year	$ 172	$ 33

The accompanying notes are an integral part of these financial statements.

NOTES TO SINKING FUND FINANCIAL STATEMENTS

For the year ended December 31, 2013 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of sinking funds of The Regional Municipality of Niagara (the "Region") are the representation of management prepared in accordance with Canadian public sector accounting standards as recommended by the Chartered Professional Accountants of Canada.

The sinking fund is a separate fund maintained for the purpose of providing for the repayment of all sinking fund debt when it becomes due and payable. The debt issued on June 30, 2010 subject to repayment through the sinking fund is $78,079. The sinking fund is proportionally held 88.05% by the Region and 11.95% by the City of St. Catharines. Annual interest payments on the sinking fund debt are $4,060.

Significant accounting policies adopted by the Region for the sinking funds are as follows:

(a) Basis of accounting:

The Region's sinking fund follows the accrual method of accounting for revenues and expenses

(b) Sinking fund requirements:

The requirements of the sinking fund represent the amounts required which, together with interest compounded annually, will be sufficient to retire the related debentures at maturity. The requirements were calculated using a rate of 3.5% per annum.

(c) Investment income:

Investment income earned and reported as revenue in the period earned.

2. Investments:

The investments consist of municipal bonds and are carried at cost. At December 31, 2013 the investments have a market value of $4,178 (2012 - $3,125).

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INDEPENDENT AUDITORS' REPORT

To the Members of Council, Inhabitants and Ratepayers of
The Regional Municipality of Niagara

We have audited the accompanying financial statements of the trust funds of The Regional Municipality of Niagara, which comprise the statement of financial position as at December 31, 2013, the statements of operations and change in net financial assets for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the statement of financial position of the trust funds of The Regional Municipality of Niagara as at December 31, 2013, and its results of operations and the changes in its net financial assets for the year then ended in accordance with Canadian public sector accounting standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
April 10, 2014
St. Catharines, Canada

THE REGIONAL MUNICIPALITY OF NIAGARA

TRUST FUNDS STATEMENT OF FINANCIAL POSITION

Year ended December 31, 2013, with comparative figures for 2012 (In thousands of dollars)

	2013	2012
FINANCIAL ASSET:		
Cash	$ 993	$ 1,128
FINANCIAL LIABILITY:		
Due to The Regional Municipality of Niagara (note 2)	40	62
Accumulated surplus and net financial assets	$ 953	$ 1,066

The accompanying notes are an integral part of these financial statements.

TRUST FUNDS STATEMENT OF OPERATIONS AND CHANGE IN NET FINANCIAL ASSETS

Year ended December 31, 2013, with comparative figures for 2012 (In thousands of dollars)

	Residents' Trust Accounts	Trust Funds Retained for Residents	Donated Surplus	Total 2013	Total 2012
REVENUE:					
Residents' deposits, net	$ 929	$ -	$ -	$ 929	$ 1,049
Donations	-	57	159	216	316
	929	57	159	1,145	1,365
EXPENSE:					
Residents' withdrawals, net	1,029	-	-	1,029	1,104
Expenditures for the benefit of residents	-	49	180	229	291
	1,029	49	180	1,258	1,395
Annual deficit and changes in net financial assets	(100)	8	(21)	(113)	(30)
Accumulated surplus and net financial assets, beginning of year	512	277	277	1,066	1,096
Accumulated surplus and net financial assets, end of year	$ 412	$ 285	$ 256	$ 953	$ 1,066

The accompanying notes are an integral part of these financial statements.

TRUST FUNDS STATEMENT OF CASH FLOWS

Year ended December 31, 2013, with comparative figures for the year ended December 31, 2012
(In thousands of dollars)

		2013		2012
OPERATING ACTIVITIES:				
Annual deficit	$	(113)	$	(30)
Change in non-cash liability:				
Due to Regional Municipality of Niagara		(22)		10
Net change in cash from operating activities		(135)		(20)
Cash, beginning of year		1,128		1,148
Cash, end of year	$	993	$	1,128

The accompanying notes are an integral part of these financial statements.

NOTES TO TRUST FUNDS FINANCIAL STATEMENTS

Year ended December 31, 2013 (In thousands of dollars)

1. Significant accounting policies:

The financial statements of trust funds of The Regional Municipality of Niagara are the representation of management prepared in accordance with Canadian public sector accounting standards as recommended by the Chartered Professional Accountants of Canada. Significant accounting policies adopted by the Region for the trust funds are as follows:

(a) Basis of accounting:

The Trust Funds follow the accrual method of accounting for revenues and expenses. Revenues are normally recognized in the year in which they are earned and measurable. Expenses are recognized as they are incurred and measurable as result of receipt of goods and services and/or the creation of a legal obligation to pay.

(b) Tangible capital assets:

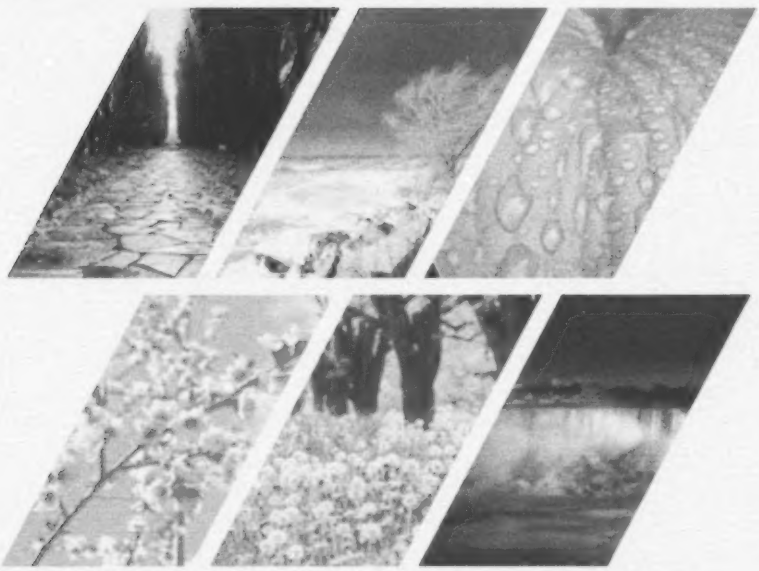
The net financial assets of the Trust Funds are resident deposits for the benefits of residents. No tangible capital assets are purchased by the Trust Funds.

2. Due to The Regional Municipality of Niagara:

The amount due to The Regional Municipality of Niagara has no fixed terms of repayment and is non-interesting bearing.

2013
Niagara Region
Statistical

The fiscal year ending December 31, 2013



THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2013 with comparitive figures for 2012-2009
(Unaudited - In thousands of dollars)

	2013	2012	2011	2010	2009
STATISTICS					
Population (a)	445,351	446,676	431,346	443,866	442,908
Number of households (b)	192,335	191,153	190,150	188,554	186,504
Niagara Region government full-time employees	3,434	3,396	3,424	3,402	3,367
Unemployment rates (c):					
Niagara Region	8.5%	7.8%	8.2%	9.4%	10.3%
Ontario	7.5%	7.8%	7.8%	8.7%	9.0%
Canada	7.1%	7.2%	7.4%	8.0%	8.3%
Average monthly Ontario Works caseloads	10,649	10,632	10,302	9,790	8,902
Housing starts (d)	1,223	1,137	1,110	1,086	859
Annual disposal residential solid waste (metric tonnes)	91,826	91,812	93,466	116,883	115,338
Annual diversion of residential solid waste (metric tonnes)	102,640	97,616	91,643	84,901	90,579
Annual supply of treated water (000 m3)	56,897	60,486	59,592	59,432	58,857
Annual wastewater flows (000 m3)	79,655	69,975	85,675	73,099	79,548
BUILDING PERMIT VALUES ($000'S)					
Agricultural & residential (e)	$ 392,438	$ 322,681	$ 282,500	$ 284,196	$ 222,085
Business & commercial (e)	275,557	97,232	116,624	141,573	140,237
Industrial (e)	41,644	78,219	29,153	40,777	41,096
Government & Institutional (e)	136,382	38,491	43,349	621,133	80,090
	$ 846,021	$ 536,623	$ 471,626	$1,087,679	$ 483,508

Source:

(a) Statistics Canada preliminary estimate (2009-2010 based on 2006 adjusted census data; 2011-2013 based on 2011 adjusted census data)
(b) Municipal Property Assessment Corporation
(c) Statistics Canada, CANSIM Tables 282-0110 & 282-0002
(d) CMHC Canadian Housing Observer
(e) Statistics Canada, Building Permits

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2013 with comparitive figures for 2012-2009
(Unaudited - In thousands of dollars)

	2013	2012	2011	2010	2009
AREA MUNICIPALITIES TAX LEVY & COLLECTION EXPERIENCES					
Current tax levy	n/a	$ 784,548	$ 763,759	$ 759,551	$ 738,102
Current tax levy collections	n/a	$ 716,772	$ 708,485	$ 702,142	$ 683,645
Current collection as a % of current levy	n/a	91.4%	92.8%	92.4%	92.6%
Total collections	n/a	$ 770,022	$ 763,652	$ 756,560	$ 733,517
Total collections as a % of current levy	n/a	98.1%	100.0%	99.6%	99.4%
Total tax arrears	n/a	$ 65,042	$ 65,705	$ 66,237	$ 65,247
Tax arrears as a % of current levy	n/a	8.3%	8.6%	8.7%	8.8%
Regional government tax levy change (Net assessment decrease/increase after assessment growth)	1.97%	3.22%	-1.37%	-0.08%	1.24%
TAXABLE ASSESSMENT (Taxable assessment upon which the year's rate of taxation were set)					
Residential and farm	$ 38,862,564	$ 37,803,722	$ 35,739,283	$ 33,647,581	$ 31,667,660
Commercial, industrial and business	6,368,471	6,404,494	6,114,200	5,682,992	5,419,016
Total	$ 45,231,035	$ 44,208,216	$ 41,853,483	$ 39,330,573	$ 37,086,676
Per household ($)	$ 202,057	$197,767	$ 187,953	$ 178,451	$ 169,796
Commercial, industrial, business, as a % of taxable assessment	14.1%	14.5%	14.6%	14.4%	14.6%

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2013 with comparitive figures for 2012-2009
(Unaudited - In thousands of dollars)

	2013	2012	2011	2010	2009
CONSOLIDATED STATEMENT OF CHANGE IN NET FINANCIAL ASSETS (DEBT)					
Annual surplus	$ 65,018	$ 25,422	$ 71,118	$ 78,589	$ 38,712
Acquisition of tangible capital assets	(115,949)	(127,994)	(88,630)	(155,506)	(114,821)
Amortization of tangible capital assets	65,494	64,672	60,590	57,576	55,568
Loss on sale of tangible capital assets	791	2,022	406	160	141
Proceeds on sales of tangible capital assets	206	1,319	308	884	233
Change in supplies of inventories	(127)	(543)	(106)	(356)	(23)
Change in deposit	-	4,814	(4,814)	-	-
Change in prepaid expenses	(1,167)	(419)	(863)	(5,972)	(865)
Change in net financial assets (net debt)	14,266	(30,707)	38,009	(24,625)	(21,055)
Net financial assets (net debt), beginning of year	(14,778)	15,929	(22,080)	2,545	23,600
Net financial assets (net debt), end of year	$ (512)	$ (14,778)	$ 15,929	$ (22,080)	$ 2,545
NET LONG TERM LIABILITIES					
General municipal activities - capital projects	$ 228,613	$ 243,164	$ 265,564	$ 295,528	$ 167,572
Per capita ($)	$ 513	$ 544	$ 616	$666	$378
Percentage of taxable assessment	0.5%	0.6%	0.6%	0.8%	0.5%
DEBT CHARGES FOR NET LONG-TERM LIABILITIES					
General municipal activities	$ 36,993	$ 40,551	$ 44,174	$ 35,480	$ 33,068
Per capita ($)	$ 83	$ 91	$ 102	$ 80	$ 75
GENERAL LONG-TERM DEBT CHARGES AS % OF TOTAL GENERAL EXPENDITURES					
Percentage of debt to general expenditures	4.9%	5.1%	5.9%	4.0%	4.0%
ANNUAL REPAYMENT LIMIT					
Annual repayment limit	$ 96,182	$ 90,120	$ 95,547	$ 87,754	$ 81,724

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2013 with comparitive figures for 2012-2009
(Unaudited - In thousands of dollars)

	2013	2012	2011	2010	2009
CONSOLIDATED STATEMENT OF FINANCIAL POSITION					
Financial Assets					
Cash	$ 83,280	$ 112,036	$ 87,144	$ 74,495	$ 41,399
Investments	429,390	368,744	407,540	420,772	337,924
Accounts receivable	71,295	65,012	74,763	92,924	71,506
Other current assets	121	366	279	735	1,928
Debt recoverable from others	232,126	217,729	217,154	181,705	158,319
Total financial assets	816,212	763,887	786,880	770,631	611,076
Financial Liabilities					
Accounts payable and accrued liabilities	95,642	97,821	97,009	121,931	90,673
Employee benefits and other liabilities	91,161	87,082	82,659	81,293	79,272
Deferred revenue	109,783	66,086	70,005	72,423	67,777
Landfill liability	59,399	66,783	38,560	39,831	44,918
Long-term liabilities	460,739	460,893	482,718	477,233	325,891
Total financial liabilities	816,724	778,665	770,951	792,711	608,531
Net financial assets (net debt)	(512)	(14,778)	15,929	(22,080)	2,545
Non-financial assets					
Tangible capital assets	1,392,873	1,343,415	1,283,434	1,256,108	1,159,222
Inventory	4,542	4,415	3,872	3,766	3,410
Deposits	-	-	4,814	-	-
Prepaid expenses	10,022	8,855	8,436	7,573	1,601
Total non-financial assets	1,407,437	1,356,685	1,300,556	1,267,447	1,164,233
Accumulated surplus	$ 1,406,925	$ 1,341,907	$ 1,316,485	$ 1,245,367	$ 1,166,778

THE REGIONAL MUNICIPALITY OF NIAGARA

FIVE YEAR STATISTICAL REVIEW

Year ended December 31, 2013 with comparitive figures for 2012-2009
(Unaudited - In thousands of dollars)

	2013	2012	2011	2010	2009
CONSOLIDATED STATEMENT OF OPERATIONS					
Revenues By Source					
Property taxpayer	$ 321,698	$ 310,223	$ 299,332	$ 301,841	$ 297,212
Sewer charges	66,440	66,923	61,615	60,339	58,606
Water charges	41,491	43,205	42,585	41,709	37,040
Waste management	47,260	46,147	50,336	45,998	42,182
User charges	49,230	46,421	47,688	46,264	45,419
Government of Canada grants	20,939	27,763	25,444	46,545	20,384
Province of Ontario grants	241,557	226,864	247,313	385,276	318,140
Other municipalities	6,440	6,713	10,677	3,432	6,977
Development charges	3,237	15,066	7,040	2,364	8,691
Developer contributions	83	1,313	526	135	1,326
Investment income	12,717	14,643	14,552	10,650	11,503
Court Services	8,295	8,854	9,321	8,869	7,923
Miscellaneous income/other	5,884	5,446	4,846	3,686	3,161
Total revenue by source	825,271	819,581	821,276	957,108	858,564
Expense By Function					
General government	25,397	30,820	25,248	29,709	27,443
Protection to persons and property	169,003	162,728	159,678	147,317	143,144
Transportation services	53,519	55,862	51,548	65,386	51,775
Environmental services	128,407	159,404	139,361	121,319	127,129
Health services	79,597	76,611	72,342	72,712	67,879
Social and family services	240,951	233,026	226,537	376,989	343,747
Social housing	56,825	54,831	55,923	60,188	53,931
Planning and development	6,554	20,877	19,521	4,899	4,804
Total expenses by function	760,253	794,159	750,158	878,519	819,852
Annual Surplus	65,018	25,422	71,118	78,589	38,712
Accumulated surplus, beginning of year	1,341,907	1,316,485	1,245,367	1,166,778	1,128,066
Accumulated surplus, end of year	$ 1,406,925	$ 1,341,907	$ 1,316,485	$ 1,245,367	$ 1,166,778
Analysis Of Expenses By Object					
Salaries, wages and employee benefits	$ 352,955	$ 339,755	$ 327,519	$ 315,711	$ 304,988
Operating expenses	203,055	233,796	214,159	215,534	204,873
External transfers to others	127,546	144,020	134,756	278,604	245,870
Debt services	11,203	11,916	13,134	11,094	8,553
Amortization	65,494	64,672	60,590	57,576	55,568
Total expenses by object	$ 760,253	$ 794,159	$ 750,158	$ 878,519	$ 819,852

NOTES

NOTES

2013
Niagara Region
Annual Financial Report

Niagara Region

Niagara Region Printing Services June 2014